



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

SB1681

Introduced 2/19/2009, by Sen. Matt Murphy

SYNOPSIS AS INTRODUCED:

35 ILCS 5/201	from Ch. 120, par. 2-201
35 ILCS 5/202.5 new	
35 ILCS 5/202.5a new	
35 ILCS 5/202.5b new	
35 ILCS 5/901	from Ch. 120, par. 9-901

Amends the Illinois Income Tax Act. Decreases the rate of tax on individuals and on trusts and estates from 3% to 2.85% in 2009, 2.7% in 2010, and 2.5% in 2011 and thereafter. Decreases the rate of tax on corporations from 4.8% to 4.56% in 2009, 4.32% in 2010, and 4% in 2011 and thereafter. Makes corresponding changes. Effective immediately.

LRB096 10729 HLH 20913 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 201 and 901 and by adding Sections 202.5,
6 202.5a, and 202.5b as follows:

7 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

8 Sec. 201. Tax Imposed.

9 (a) In general. A tax measured by net income is hereby
10 imposed on every individual, corporation, trust and estate for
11 each taxable year ending after July 31, 1969 on the privilege
12 of earning or receiving income in or as a resident of this
13 State. Such tax shall be in addition to all other occupation or
14 privilege taxes imposed by this State or by any municipal
15 corporation or political subdivision thereof.

16 (b) Rates. The tax imposed by subsection (a) of this
17 Section shall be determined as follows, except as adjusted by
18 subsection (d-1):

19 (1) In the case of an individual, trust or estate, for
20 taxable years ending prior to July 1, 1989, an amount equal
21 to 2 1/2% of the taxpayer's net income for the taxable
22 year.

23 (2) In the case of an individual, trust or estate, for

1 taxable years beginning prior to July 1, 1989 and ending
2 after June 30, 1989, an amount equal to the sum of (i) 2
3 1/2% of the taxpayer's net income for the period prior to
4 July 1, 1989, as calculated under Section 202.3, and (ii)
5 3% of the taxpayer's net income for the period after June
6 30, 1989, as calculated under Section 202.3.

7 (3) In the case of an individual, trust or estate, for
8 taxable years beginning after June 30, 1989 and ending on
9 or before December 31, 2008, an amount equal to 3% of the
10 taxpayer's net income for the taxable year.

11 (4) In the case of an individual, trust, or estate, for
12 taxable years beginning prior to January 1, 2009 and ending
13 after December 31, 2008, an amount equal to the sum of (i)
14 3% of the taxpayer's net income for the period prior to
15 January 1, 2009, as calculated under Section 202.5, and
16 (ii) 2.85% of the taxpayer's net income for the period
17 after December 31, 2008, as calculated under Section 202.5
18 (Blank).

19 (4.1) In the case of an individual, trust, or estate,
20 for taxable years beginning on January 1, 2009 and ending
21 on December 31, 2009, an amount equal to 2.85% of the
22 taxpayer's net income for the taxable year.

23 (4.2) In the case of an individual, trust, or estate,
24 for taxable years beginning prior to January 1, 2010 and
25 ending after December 31, 2009, an amount equal to the sum
26 of (i) 2.85% of the taxpayer's net income for the period

1 prior to January 1, 2010, as calculated under Section
2 202.5, and (ii) 2.7% of the taxpayer's net income for the
3 period after December 31, 2009, as calculated under Section
4 202.5a.

5 (4.3) In the case of an individual, trust, or estate,
6 for taxable years beginning on January 1, 2010 and ending
7 on December 31, 2010, an amount equal to 2.7% of the
8 taxpayer's net income for the taxable year.

9 (4.4) In the case of an individual, trust, or estate,
10 for taxable years beginning prior to January 1, 2011 and
11 ending after December 31, 2010, an amount equal to the sum
12 of (i) 2.7% of the taxpayer's net income for the period
13 prior to January 1, 2011, as calculated under Section
14 202.5, and (ii) 2.5% of the taxpayer's net income for the
15 period after December 31, 2010, as calculated under Section
16 202.5b.

17 (5) In the case of an individual, trust or estate, for
18 taxable years beginning after December 31, 2010, an amount
19 equal to 2.5% of the taxpayer's net income for the taxable
20 year (Blank).

21 (6) In the case of a corporation, for taxable years
22 ending prior to July 1, 1989, an amount equal to 4% of the
23 taxpayer's net income for the taxable year.

24 (7) In the case of a corporation, for taxable years
25 beginning prior to July 1, 1989 and ending after June 30,
26 1989, an amount equal to the sum of (i) 4% of the

1 taxpayer's net income for the period prior to July 1, 1989,
2 as calculated under Section 202.3, and (ii) 4.8% of the
3 taxpayer's net income for the period after June 30, 1989,
4 as calculated under Section 202.3.

5 (8) In the case of a corporation, for taxable years
6 beginning after June 30, 1989 and ending on or before
7 December 31, 2008, an amount equal to 4.8% of the
8 taxpayer's net income for the taxable year.

9 (9) In the case of a corporation, for taxable years
10 beginning prior to January 1, 2009 and ending after
11 December 31, 2008, an amount equal to the sum of (i) 4.8%
12 of the taxpayer's net income for the period prior to
13 January 1, 2009, as calculated under Section 202.5, and
14 (ii) 4.56% of the taxpayer's net income for the period
15 after December 31, 2008, as calculated under Section 202.5.

16 (10) In the case of a corporation, for taxable years
17 beginning on January 1, 2009 and ending on December 31,
18 2009, an amount equal to 4.56% of the taxpayer's net income
19 for the taxable year.

20 (11) In the case of a corporation, for taxable years
21 beginning prior to January 1, 2010 and ending after
22 December 31, 2009, an amount equal to the sum of (i) 4.56%
23 of the taxpayer's net income for the period prior to
24 January 1, 2010, as calculated under Section 202.5a, and
25 (ii) 4.32% of the taxpayer's net income for the period
26 after December 31, 2009, as calculated under Section

1 202.5a.

2 (12) In the case of a corporation, for taxable years
3 beginning on January 1, 2010 and ending on December 31,
4 2010, an amount equal to 4.32% of the taxpayer's net income
5 for the taxable year.

6 (13) In the case of a corporation, for taxable years
7 beginning prior to January 1, 2011 and ending after
8 December 31, 2010, an amount equal to the sum of (i) 4.32%
9 of the taxpayer's net income for the period prior to
10 January 1, 2011, as calculated under Section 202.5b, and
11 (ii) 4% of the taxpayer's net income for the period after
12 December 31, 2010, as calculated under Section 202.5b.

13 (14) In the case of a corporation, for taxable years
14 beginning after December 31, 2010, an amount equal to 4% of
15 the taxpayer's net income for the taxable year.

16 (c) Personal Property Tax Replacement Income Tax.
17 Beginning on July 1, 1979 and thereafter, in addition to such
18 income tax, there is also hereby imposed the Personal Property
19 Tax Replacement Income Tax measured by net income on every
20 corporation (including Subchapter S corporations), partnership
21 and trust, for each taxable year ending after June 30, 1979.
22 Such taxes are imposed on the privilege of earning or receiving
23 income in or as a resident of this State. The Personal Property
24 Tax Replacement Income Tax shall be in addition to the income
25 tax imposed by subsections (a) and (b) of this Section and in
26 addition to all other occupation or privilege taxes imposed by

1 this State or by any municipal corporation or political
2 subdivision thereof.

3 (d) Additional Personal Property Tax Replacement Income
4 Tax Rates. The personal property tax replacement income tax
5 imposed by this subsection and subsection (c) of this Section
6 in the case of a corporation, other than a Subchapter S
7 corporation and except as adjusted by subsection (d-1), shall
8 be an additional amount equal to 2.85% of such taxpayer's net
9 income for the taxable year, except that beginning on January
10 1, 1981, and thereafter, the rate of 2.85% specified in this
11 subsection shall be reduced to 2.5%, and in the case of a
12 partnership, trust or a Subchapter S corporation shall be an
13 additional amount equal to 1.5% of such taxpayer's net income
14 for the taxable year.

15 (d-1) Rate reduction for certain foreign insurers. In the
16 case of a foreign insurer, as defined by Section 35A-5 of the
17 Illinois Insurance Code, whose state or country of domicile
18 imposes on insurers domiciled in Illinois a retaliatory tax
19 (excluding any insurer whose premiums from reinsurance assumed
20 are 50% or more of its total insurance premiums as determined
21 under paragraph (2) of subsection (b) of Section 304, except
22 that for purposes of this determination premiums from
23 reinsurance do not include premiums from inter-affiliate
24 reinsurance arrangements), beginning with taxable years ending
25 on or after December 31, 1999, the sum of the rates of tax
26 imposed by subsections (b) and (d) shall be reduced (but not

1 increased) to the rate at which the total amount of tax imposed
2 under this Act, net of all credits allowed under this Act,
3 shall equal (i) the total amount of tax that would be imposed
4 on the foreign insurer's net income allocable to Illinois for
5 the taxable year by such foreign insurer's state or country of
6 domicile if that net income were subject to all income taxes
7 and taxes measured by net income imposed by such foreign
8 insurer's state or country of domicile, net of all credits
9 allowed or (ii) a rate of zero if no such tax is imposed on such
10 income by the foreign insurer's state of domicile. For the
11 purposes of this subsection (d-1), an inter-affiliate includes
12 a mutual insurer under common management.

13 (1) For the purposes of subsection (d-1), in no event
14 shall the sum of the rates of tax imposed by subsections
15 (b) and (d) be reduced below the rate at which the sum of:

16 (A) the total amount of tax imposed on such foreign
17 insurer under this Act for a taxable year, net of all
18 credits allowed under this Act, plus

19 (B) the privilege tax imposed by Section 409 of the
20 Illinois Insurance Code, the fire insurance company
21 tax imposed by Section 12 of the Fire Investigation
22 Act, and the fire department taxes imposed under
23 Section 11-10-1 of the Illinois Municipal Code,
24 equals 1.25% for taxable years ending prior to December 31,
25 2003, or 1.75% for taxable years ending on or after
26 December 31, 2003, of the net taxable premiums written for

1 the taxable year, as described by subsection (1) of Section
2 409 of the Illinois Insurance Code. This paragraph will in
3 no event increase the rates imposed under subsections (b)
4 and (d).

5 (2) Any reduction in the rates of tax imposed by this
6 subsection shall be applied first against the rates imposed
7 by subsection (b) and only after the tax imposed by
8 subsection (a) net of all credits allowed under this
9 Section other than the credit allowed under subsection (i)
10 has been reduced to zero, against the rates imposed by
11 subsection (d).

12 This subsection (d-1) is exempt from the provisions of
13 Section 250.

14 (e) Investment credit. A taxpayer shall be allowed a credit
15 against the Personal Property Tax Replacement Income Tax for
16 investment in qualified property.

17 (1) A taxpayer shall be allowed a credit equal to .5%
18 of the basis of qualified property placed in service during
19 the taxable year, provided such property is placed in
20 service on or after July 1, 1984. There shall be allowed an
21 additional credit equal to .5% of the basis of qualified
22 property placed in service during the taxable year,
23 provided such property is placed in service on or after
24 July 1, 1986, and the taxpayer's base employment within
25 Illinois has increased by 1% or more over the preceding
26 year as determined by the taxpayer's employment records

1 filed with the Illinois Department of Employment Security.
2 Taxpayers who are new to Illinois shall be deemed to have
3 met the 1% growth in base employment for the first year in
4 which they file employment records with the Illinois
5 Department of Employment Security. The provisions added to
6 this Section by Public Act 85-1200 (and restored by Public
7 Act 87-895) shall be construed as declaratory of existing
8 law and not as a new enactment. If, in any year, the
9 increase in base employment within Illinois over the
10 preceding year is less than 1%, the additional credit shall
11 be limited to that percentage times a fraction, the
12 numerator of which is .5% and the denominator of which is
13 1%, but shall not exceed .5%. The investment credit shall
14 not be allowed to the extent that it would reduce a
15 taxpayer's liability in any tax year below zero, nor may
16 any credit for qualified property be allowed for any year
17 other than the year in which the property was placed in
18 service in Illinois. For tax years ending on or after
19 December 31, 1987, and on or before December 31, 1988, the
20 credit shall be allowed for the tax year in which the
21 property is placed in service, or, if the amount of the
22 credit exceeds the tax liability for that year, whether it
23 exceeds the original liability or the liability as later
24 amended, such excess may be carried forward and applied to
25 the tax liability of the 5 taxable years following the
26 excess credit years if the taxpayer (i) makes investments

1 which cause the creation of a minimum of 2,000 full-time
2 equivalent jobs in Illinois, (ii) is located in an
3 enterprise zone established pursuant to the Illinois
4 Enterprise Zone Act and (iii) is certified by the
5 Department of Commerce and Community Affairs (now
6 Department of Commerce and Economic Opportunity) as
7 complying with the requirements specified in clause (i) and
8 (ii) by July 1, 1986. The Department of Commerce and
9 Community Affairs (now Department of Commerce and Economic
10 Opportunity) shall notify the Department of Revenue of all
11 such certifications immediately. For tax years ending
12 after December 31, 1988, the credit shall be allowed for
13 the tax year in which the property is placed in service,
14 or, if the amount of the credit exceeds the tax liability
15 for that year, whether it exceeds the original liability or
16 the liability as later amended, such excess may be carried
17 forward and applied to the tax liability of the 5 taxable
18 years following the excess credit years. The credit shall
19 be applied to the earliest year for which there is a
20 liability. If there is credit from more than one tax year
21 that is available to offset a liability, earlier credit
22 shall be applied first.

23 (2) The term "qualified property" means property
24 which:

25 (A) is tangible, whether new or used, including
26 buildings and structural components of buildings and

1 signs that are real property, but not including land or
2 improvements to real property that are not a structural
3 component of a building such as landscaping, sewer
4 lines, local access roads, fencing, parking lots, and
5 other appurtenances;

6 (B) is depreciable pursuant to Section 167 of the
7 Internal Revenue Code, except that "3-year property"
8 as defined in Section 168(c)(2)(A) of that Code is not
9 eligible for the credit provided by this subsection
10 (e);

11 (C) is acquired by purchase as defined in Section
12 179(d) of the Internal Revenue Code;

13 (D) is used in Illinois by a taxpayer who is
14 primarily engaged in manufacturing, or in mining coal
15 or fluorite, or in retailing, or was placed in service
16 on or after July 1, 2006 in a River Edge Redevelopment
17 Zone established pursuant to the River Edge
18 Redevelopment Zone Act; and

19 (E) has not previously been used in Illinois in
20 such a manner and by such a person as would qualify for
21 the credit provided by this subsection (e) or
22 subsection (f).

23 (3) For purposes of this subsection (e),
24 "manufacturing" means the material staging and production
25 of tangible personal property by procedures commonly
26 regarded as manufacturing, processing, fabrication, or

1 assembling which changes some existing material into new
2 shapes, new qualities, or new combinations. For purposes of
3 this subsection (e) the term "mining" shall have the same
4 meaning as the term "mining" in Section 613(c) of the
5 Internal Revenue Code. For purposes of this subsection (e),
6 the term "retailing" means the sale of tangible personal
7 property or services rendered in conjunction with the sale
8 of tangible consumer goods or commodities.

9 (4) The basis of qualified property shall be the basis
10 used to compute the depreciation deduction for federal
11 income tax purposes.

12 (5) If the basis of the property for federal income tax
13 depreciation purposes is increased after it has been placed
14 in service in Illinois by the taxpayer, the amount of such
15 increase shall be deemed property placed in service on the
16 date of such increase in basis.

17 (6) The term "placed in service" shall have the same
18 meaning as under Section 46 of the Internal Revenue Code.

19 (7) If during any taxable year, any property ceases to
20 be qualified property in the hands of the taxpayer within
21 48 months after being placed in service, or the situs of
22 any qualified property is moved outside Illinois within 48
23 months after being placed in service, the Personal Property
24 Tax Replacement Income Tax for such taxable year shall be
25 increased. Such increase shall be determined by (i)
26 recomputing the investment credit which would have been

1 allowed for the year in which credit for such property was
2 originally allowed by eliminating such property from such
3 computation and, (ii) subtracting such recomputed credit
4 from the amount of credit previously allowed. For the
5 purposes of this paragraph (7), a reduction of the basis of
6 qualified property resulting from a redetermination of the
7 purchase price shall be deemed a disposition of qualified
8 property to the extent of such reduction.

9 (8) Unless the investment credit is extended by law,
10 the basis of qualified property shall not include costs
11 incurred after December 31, 2008, except for costs incurred
12 pursuant to a binding contract entered into on or before
13 December 31, 2008.

14 (9) Each taxable year ending before December 31, 2000,
15 a partnership may elect to pass through to its partners the
16 credits to which the partnership is entitled under this
17 subsection (e) for the taxable year. A partner may use the
18 credit allocated to him or her under this paragraph only
19 against the tax imposed in subsections (c) and (d) of this
20 Section. If the partnership makes that election, those
21 credits shall be allocated among the partners in the
22 partnership in accordance with the rules set forth in
23 Section 704(b) of the Internal Revenue Code, and the rules
24 promulgated under that Section, and the allocated amount of
25 the credits shall be allowed to the partners for that
26 taxable year. The partnership shall make this election on

1 its Personal Property Tax Replacement Income Tax return for
2 that taxable year. The election to pass through the credits
3 shall be irrevocable.

4 For taxable years ending on or after December 31, 2000,
5 a partner that qualifies its partnership for a subtraction
6 under subparagraph (I) of paragraph (2) of subsection (d)
7 of Section 203 or a shareholder that qualifies a Subchapter
8 S corporation for a subtraction under subparagraph (S) of
9 paragraph (2) of subsection (b) of Section 203 shall be
10 allowed a credit under this subsection (e) equal to its
11 share of the credit earned under this subsection (e) during
12 the taxable year by the partnership or Subchapter S
13 corporation, determined in accordance with the
14 determination of income and distributive share of income
15 under Sections 702 and 704 and Subchapter S of the Internal
16 Revenue Code. This paragraph is exempt from the provisions
17 of Section 250.

18 (f) Investment credit; Enterprise Zone; River Edge
19 Redevelopment Zone.

20 (1) A taxpayer shall be allowed a credit against the
21 tax imposed by subsections (a) and (b) of this Section for
22 investment in qualified property which is placed in service
23 in an Enterprise Zone created pursuant to the Illinois
24 Enterprise Zone Act or, for property placed in service on
25 or after July 1, 2006, a River Edge Redevelopment Zone
26 established pursuant to the River Edge Redevelopment Zone

1 Act. For partners, shareholders of Subchapter S
2 corporations, and owners of limited liability companies,
3 if the liability company is treated as a partnership for
4 purposes of federal and State income taxation, there shall
5 be allowed a credit under this subsection (f) to be
6 determined in accordance with the determination of income
7 and distributive share of income under Sections 702 and 704
8 and Subchapter S of the Internal Revenue Code. The credit
9 shall be .5% of the basis for such property. The credit
10 shall be available only in the taxable year in which the
11 property is placed in service in the Enterprise Zone or
12 River Edge Redevelopment Zone and shall not be allowed to
13 the extent that it would reduce a taxpayer's liability for
14 the tax imposed by subsections (a) and (b) of this Section
15 to below zero. For tax years ending on or after December
16 31, 1985, the credit shall be allowed for the tax year in
17 which the property is placed in service, or, if the amount
18 of the credit exceeds the tax liability for that year,
19 whether it exceeds the original liability or the liability
20 as later amended, such excess may be carried forward and
21 applied to the tax liability of the 5 taxable years
22 following the excess credit year. The credit shall be
23 applied to the earliest year for which there is a
24 liability. If there is credit from more than one tax year
25 that is available to offset a liability, the credit
26 accruing first in time shall be applied first.

1 (2) The term qualified property means property which:

2 (A) is tangible, whether new or used, including
3 buildings and structural components of buildings;

4 (B) is depreciable pursuant to Section 167 of the
5 Internal Revenue Code, except that "3-year property"
6 as defined in Section 168(c)(2)(A) of that Code is not
7 eligible for the credit provided by this subsection
8 (f);

9 (C) is acquired by purchase as defined in Section
10 179(d) of the Internal Revenue Code;

11 (D) is used in the Enterprise Zone or River Edge
12 Redevelopment Zone by the taxpayer; and

13 (E) has not been previously used in Illinois in
14 such a manner and by such a person as would qualify for
15 the credit provided by this subsection (f) or
16 subsection (e).

17 (3) The basis of qualified property shall be the basis
18 used to compute the depreciation deduction for federal
19 income tax purposes.

20 (4) If the basis of the property for federal income tax
21 depreciation purposes is increased after it has been placed
22 in service in the Enterprise Zone or River Edge
23 Redevelopment Zone by the taxpayer, the amount of such
24 increase shall be deemed property placed in service on the
25 date of such increase in basis.

26 (5) The term "placed in service" shall have the same

1 meaning as under Section 46 of the Internal Revenue Code.

2 (6) If during any taxable year, any property ceases to
3 be qualified property in the hands of the taxpayer within
4 48 months after being placed in service, or the situs of
5 any qualified property is moved outside the Enterprise Zone
6 or River Edge Redevelopment Zone within 48 months after
7 being placed in service, the tax imposed under subsections
8 (a) and (b) of this Section for such taxable year shall be
9 increased. Such increase shall be determined by (i)
10 recomputing the investment credit which would have been
11 allowed for the year in which credit for such property was
12 originally allowed by eliminating such property from such
13 computation, and (ii) subtracting such recomputed credit
14 from the amount of credit previously allowed. For the
15 purposes of this paragraph (6), a reduction of the basis of
16 qualified property resulting from a redetermination of the
17 purchase price shall be deemed a disposition of qualified
18 property to the extent of such reduction.

19 (7) There shall be allowed an additional credit equal
20 to 0.5% of the basis of qualified property placed in
21 service during the taxable year in a River Edge
22 Redevelopment Zone, provided such property is placed in
23 service on or after July 1, 2006, and the taxpayer's base
24 employment within Illinois has increased by 1% or more over
25 the preceding year as determined by the taxpayer's
26 employment records filed with the Illinois Department of

1 Employment Security. Taxpayers who are new to Illinois
2 shall be deemed to have met the 1% growth in base
3 employment for the first year in which they file employment
4 records with the Illinois Department of Employment
5 Security. If, in any year, the increase in base employment
6 within Illinois over the preceding year is less than 1%,
7 the additional credit shall be limited to that percentage
8 times a fraction, the numerator of which is 0.5% and the
9 denominator of which is 1%, but shall not exceed 0.5%.

10 (g) Jobs Tax Credit; Enterprise Zone, River Edge
11 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

12 (1) A taxpayer conducting a trade or business in an
13 enterprise zone or a High Impact Business designated by the
14 Department of Commerce and Economic Opportunity or for
15 taxable years ending on or after December 31, 2006, in a
16 River Edge Redevelopment Zone conducting a trade or
17 business in a federally designated Foreign Trade Zone or
18 Sub-Zone shall be allowed a credit against the tax imposed
19 by subsections (a) and (b) of this Section in the amount of
20 \$500 per eligible employee hired to work in the zone during
21 the taxable year.

22 (2) To qualify for the credit:

23 (A) the taxpayer must hire 5 or more eligible
24 employees to work in an enterprise zone, River Edge
25 Redevelopment Zone, or federally designated Foreign
26 Trade Zone or Sub-Zone during the taxable year;

1 (B) the taxpayer's total employment within the
2 enterprise zone, River Edge Redevelopment Zone, or
3 federally designated Foreign Trade Zone or Sub-Zone
4 must increase by 5 or more full-time employees beyond
5 the total employed in that zone at the end of the
6 previous tax year for which a jobs tax credit under
7 this Section was taken, or beyond the total employed by
8 the taxpayer as of December 31, 1985, whichever is
9 later; and

10 (C) the eligible employees must be employed 180
11 consecutive days in order to be deemed hired for
12 purposes of this subsection.

13 (3) An "eligible employee" means an employee who is:

14 (A) Certified by the Department of Commerce and
15 Economic Opportunity as "eligible for services"
16 pursuant to regulations promulgated in accordance with
17 Title II of the Job Training Partnership Act, Training
18 Services for the Disadvantaged or Title III of the Job
19 Training Partnership Act, Employment and Training
20 Assistance for Dislocated Workers Program.

21 (B) Hired after the enterprise zone, River Edge
22 Redevelopment Zone, or federally designated Foreign
23 Trade Zone or Sub-Zone was designated or the trade or
24 business was located in that zone, whichever is later.

25 (C) Employed in the enterprise zone, River Edge
26 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.

1 An employee is employed in an enterprise zone or
2 federally designated Foreign Trade Zone or Sub-Zone if
3 his services are rendered there or it is the base of
4 operations for the services performed.

5 (D) A full-time employee working 30 or more hours
6 per week.

7 (4) For tax years ending on or after December 31, 1985
8 and prior to December 31, 1988, the credit shall be allowed
9 for the tax year in which the eligible employees are hired.
10 For tax years ending on or after December 31, 1988, the
11 credit shall be allowed for the tax year immediately
12 following the tax year in which the eligible employees are
13 hired. If the amount of the credit exceeds the tax
14 liability for that year, whether it exceeds the original
15 liability or the liability as later amended, such excess
16 may be carried forward and applied to the tax liability of
17 the 5 taxable years following the excess credit year. The
18 credit shall be applied to the earliest year for which
19 there is a liability. If there is credit from more than one
20 tax year that is available to offset a liability, earlier
21 credit shall be applied first.

22 (5) The Department of Revenue shall promulgate such
23 rules and regulations as may be deemed necessary to carry
24 out the purposes of this subsection (g).

25 (6) The credit shall be available for eligible
26 employees hired on or after January 1, 1986.

1 (h) Investment credit; High Impact Business.

2 (1) Subject to subsections (b) and (b-5) of Section 5.5
3 of the Illinois Enterprise Zone Act, a taxpayer shall be
4 allowed a credit against the tax imposed by subsections (a)
5 and (b) of this Section for investment in qualified
6 property which is placed in service by a Department of
7 Commerce and Economic Opportunity designated High Impact
8 Business. The credit shall be .5% of the basis for such
9 property. The credit shall not be available (i) until the
10 minimum investments in qualified property set forth in
11 subdivision (a)(3)(A) of Section 5.5 of the Illinois
12 Enterprise Zone Act have been satisfied or (ii) until the
13 time authorized in subsection (b-5) of the Illinois
14 Enterprise Zone Act for entities designated as High Impact
15 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
16 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
17 Act, and shall not be allowed to the extent that it would
18 reduce a taxpayer's liability for the tax imposed by
19 subsections (a) and (b) of this Section to below zero. The
20 credit applicable to such investments shall be taken in the
21 taxable year in which such investments have been completed.
22 The credit for additional investments beyond the minimum
23 investment by a designated high impact business authorized
24 under subdivision (a)(3)(A) of Section 5.5 of the Illinois
25 Enterprise Zone Act shall be available only in the taxable
26 year in which the property is placed in service and shall

1 not be allowed to the extent that it would reduce a
2 taxpayer's liability for the tax imposed by subsections (a)
3 and (b) of this Section to below zero. For tax years ending
4 on or after December 31, 1987, the credit shall be allowed
5 for the tax year in which the property is placed in
6 service, or, if the amount of the credit exceeds the tax
7 liability for that year, whether it exceeds the original
8 liability or the liability as later amended, such excess
9 may be carried forward and applied to the tax liability of
10 the 5 taxable years following the excess credit year. The
11 credit shall be applied to the earliest year for which
12 there is a liability. If there is credit from more than one
13 tax year that is available to offset a liability, the
14 credit accruing first in time shall be applied first.

15 Changes made in this subdivision (h) (1) by Public Act
16 88-670 restore changes made by Public Act 85-1182 and
17 reflect existing law.

18 (2) The term qualified property means property which:

19 (A) is tangible, whether new or used, including
20 buildings and structural components of buildings;

21 (B) is depreciable pursuant to Section 167 of the
22 Internal Revenue Code, except that "3-year property"
23 as defined in Section 168(c) (2) (A) of that Code is not
24 eligible for the credit provided by this subsection
25 (h);

26 (C) is acquired by purchase as defined in Section

1 179(d) of the Internal Revenue Code; and

2 (D) is not eligible for the Enterprise Zone
3 Investment Credit provided by subsection (f) of this
4 Section.

5 (3) The basis of qualified property shall be the basis
6 used to compute the depreciation deduction for federal
7 income tax purposes.

8 (4) If the basis of the property for federal income tax
9 depreciation purposes is increased after it has been placed
10 in service in a federally designated Foreign Trade Zone or
11 Sub-Zone located in Illinois by the taxpayer, the amount of
12 such increase shall be deemed property placed in service on
13 the date of such increase in basis.

14 (5) The term "placed in service" shall have the same
15 meaning as under Section 46 of the Internal Revenue Code.

16 (6) If during any taxable year ending on or before
17 December 31, 1996, any property ceases to be qualified
18 property in the hands of the taxpayer within 48 months
19 after being placed in service, or the situs of any
20 qualified property is moved outside Illinois within 48
21 months after being placed in service, the tax imposed under
22 subsections (a) and (b) of this Section for such taxable
23 year shall be increased. Such increase shall be determined
24 by (i) recomputing the investment credit which would have
25 been allowed for the year in which credit for such property
26 was originally allowed by eliminating such property from

1 such computation, and (ii) subtracting such recomputed
2 credit from the amount of credit previously allowed. For
3 the purposes of this paragraph (6), a reduction of the
4 basis of qualified property resulting from a
5 redetermination of the purchase price shall be deemed a
6 disposition of qualified property to the extent of such
7 reduction.

8 (7) Beginning with tax years ending after December 31,
9 1996, if a taxpayer qualifies for the credit under this
10 subsection (h) and thereby is granted a tax abatement and
11 the taxpayer relocates its entire facility in violation of
12 the explicit terms and length of the contract under Section
13 18-183 of the Property Tax Code, the tax imposed under
14 subsections (a) and (b) of this Section shall be increased
15 for the taxable year in which the taxpayer relocated its
16 facility by an amount equal to the amount of credit
17 received by the taxpayer under this subsection (h).

18 (i) Credit for Personal Property Tax Replacement Income
19 Tax. For tax years ending prior to December 31, 2003, a credit
20 shall be allowed against the tax imposed by subsections (a) and
21 (b) of this Section for the tax imposed by subsections (c) and
22 (d) of this Section. This credit shall be computed by
23 multiplying the tax imposed by subsections (c) and (d) of this
24 Section by a fraction, the numerator of which is base income
25 allocable to Illinois and the denominator of which is Illinois
26 base income, and further multiplying the product by the tax

1 rate imposed by subsections (a) and (b) of this Section.

2 Any credit earned on or after December 31, 1986 under this
3 subsection which is unused in the year the credit is computed
4 because it exceeds the tax liability imposed by subsections (a)
5 and (b) for that year (whether it exceeds the original
6 liability or the liability as later amended) may be carried
7 forward and applied to the tax liability imposed by subsections
8 (a) and (b) of the 5 taxable years following the excess credit
9 year, provided that no credit may be carried forward to any
10 year ending on or after December 31, 2003. This credit shall be
11 applied first to the earliest year for which there is a
12 liability. If there is a credit under this subsection from more
13 than one tax year that is available to offset a liability the
14 earliest credit arising under this subsection shall be applied
15 first.

16 If, during any taxable year ending on or after December 31,
17 1986, the tax imposed by subsections (c) and (d) of this
18 Section for which a taxpayer has claimed a credit under this
19 subsection (i) is reduced, the amount of credit for such tax
20 shall also be reduced. Such reduction shall be determined by
21 recomputing the credit to take into account the reduced tax
22 imposed by subsections (c) and (d). If any portion of the
23 reduced amount of credit has been carried to a different
24 taxable year, an amended return shall be filed for such taxable
25 year to reduce the amount of credit claimed.

26 (j) Training expense credit. Beginning with tax years

1 ending on or after December 31, 1986 and prior to December 31,
2 2003, a taxpayer shall be allowed a credit against the tax
3 imposed by subsections (a) and (b) under this Section for all
4 amounts paid or accrued, on behalf of all persons employed by
5 the taxpayer in Illinois or Illinois residents employed outside
6 of Illinois by a taxpayer, for educational or vocational
7 training in semi-technical or technical fields or semi-skilled
8 or skilled fields, which were deducted from gross income in the
9 computation of taxable income. The credit against the tax
10 imposed by subsections (a) and (b) shall be 1.6% of such
11 training expenses. For partners, shareholders of subchapter S
12 corporations, and owners of limited liability companies, if the
13 liability company is treated as a partnership for purposes of
14 federal and State income taxation, there shall be allowed a
15 credit under this subsection (j) to be determined in accordance
16 with the determination of income and distributive share of
17 income under Sections 702 and 704 and subchapter S of the
18 Internal Revenue Code.

19 Any credit allowed under this subsection which is unused in
20 the year the credit is earned may be carried forward to each of
21 the 5 taxable years following the year for which the credit is
22 first computed until it is used. This credit shall be applied
23 first to the earliest year for which there is a liability. If
24 there is a credit under this subsection from more than one tax
25 year that is available to offset a liability the earliest
26 credit arising under this subsection shall be applied first. No

1 carryforward credit may be claimed in any tax year ending on or
2 after December 31, 2003.

3 (k) Research and development credit.

4 For tax years ending after July 1, 1990 and prior to
5 December 31, 2003, and beginning again for tax years ending on
6 or after December 31, 2004, a taxpayer shall be allowed a
7 credit against the tax imposed by subsections (a) and (b) of
8 this Section for increasing research activities in this State.
9 The credit allowed against the tax imposed by subsections (a)
10 and (b) shall be equal to 6 1/2% of the qualifying expenditures
11 for increasing research activities in this State. For partners,
12 shareholders of subchapter S corporations, and owners of
13 limited liability companies, if the liability company is
14 treated as a partnership for purposes of federal and State
15 income taxation, there shall be allowed a credit under this
16 subsection to be determined in accordance with the
17 determination of income and distributive share of income under
18 Sections 702 and 704 and subchapter S of the Internal Revenue
19 Code.

20 For purposes of this subsection, "qualifying expenditures"
21 means the qualifying expenditures as defined for the federal
22 credit for increasing research activities which would be
23 allowable under Section 41 of the Internal Revenue Code and
24 which are conducted in this State, "qualifying expenditures for
25 increasing research activities in this State" means the excess
26 of qualifying expenditures for the taxable year in which

1 incurred over qualifying expenditures for the base period,
2 "qualifying expenditures for the base period" means the average
3 of the qualifying expenditures for each year in the base
4 period, and "base period" means the 3 taxable years immediately
5 preceding the taxable year for which the determination is being
6 made.

7 Any credit in excess of the tax liability for the taxable
8 year may be carried forward. A taxpayer may elect to have the
9 unused credit shown on its final completed return carried over
10 as a credit against the tax liability for the following 5
11 taxable years or until it has been fully used, whichever occurs
12 first; provided that no credit earned in a tax year ending
13 prior to December 31, 2003 may be carried forward to any year
14 ending on or after December 31, 2003.

15 If an unused credit is carried forward to a given year from
16 2 or more earlier years, that credit arising in the earliest
17 year will be applied first against the tax liability for the
18 given year. If a tax liability for the given year still
19 remains, the credit from the next earliest year will then be
20 applied, and so on, until all credits have been used or no tax
21 liability for the given year remains. Any remaining unused
22 credit or credits then will be carried forward to the next
23 following year in which a tax liability is incurred, except
24 that no credit can be carried forward to a year which is more
25 than 5 years after the year in which the expense for which the
26 credit is given was incurred.

1 No inference shall be drawn from this amendatory Act of the
2 91st General Assembly in construing this Section for taxable
3 years beginning before January 1, 1999.

4 (1) Environmental Remediation Tax Credit.

5 (i) For tax years ending after December 31, 1997 and on
6 or before December 31, 2001, a taxpayer shall be allowed a
7 credit against the tax imposed by subsections (a) and (b)
8 of this Section for certain amounts paid for unreimbursed
9 eligible remediation costs, as specified in this
10 subsection. For purposes of this Section, "unreimbursed
11 eligible remediation costs" means costs approved by the
12 Illinois Environmental Protection Agency ("Agency") under
13 Section 58.14 of the Environmental Protection Act that were
14 paid in performing environmental remediation at a site for
15 which a No Further Remediation Letter was issued by the
16 Agency and recorded under Section 58.10 of the
17 Environmental Protection Act. The credit must be claimed
18 for the taxable year in which Agency approval of the
19 eligible remediation costs is granted. The credit is not
20 available to any taxpayer if the taxpayer or any related
21 party caused or contributed to, in any material respect, a
22 release of regulated substances on, in, or under the site
23 that was identified and addressed by the remedial action
24 pursuant to the Site Remediation Program of the
25 Environmental Protection Act. After the Pollution Control
26 Board rules are adopted pursuant to the Illinois

1 Administrative Procedure Act for the administration and
2 enforcement of Section 58.9 of the Environmental
3 Protection Act, determinations as to credit availability
4 for purposes of this Section shall be made consistent with
5 those rules. For purposes of this Section, "taxpayer"
6 includes a person whose tax attributes the taxpayer has
7 succeeded to under Section 381 of the Internal Revenue Code
8 and "related party" includes the persons disallowed a
9 deduction for losses by paragraphs (b), (c), and (f)(1) of
10 Section 267 of the Internal Revenue Code by virtue of being
11 a related taxpayer, as well as any of its partners. The
12 credit allowed against the tax imposed by subsections (a)
13 and (b) shall be equal to 25% of the unreimbursed eligible
14 remediation costs in excess of \$100,000 per site, except
15 that the \$100,000 threshold shall not apply to any site
16 contained in an enterprise zone as determined by the
17 Department of Commerce and Community Affairs (now
18 Department of Commerce and Economic Opportunity). The
19 total credit allowed shall not exceed \$40,000 per year with
20 a maximum total of \$150,000 per site. For partners and
21 shareholders of subchapter S corporations, there shall be
22 allowed a credit under this subsection to be determined in
23 accordance with the determination of income and
24 distributive share of income under Sections 702 and 704 and
25 subchapter S of the Internal Revenue Code.

26 (ii) A credit allowed under this subsection that is

1 unused in the year the credit is earned may be carried
2 forward to each of the 5 taxable years following the year
3 for which the credit is first earned until it is used. The
4 term "unused credit" does not include any amounts of
5 unreimbursed eligible remediation costs in excess of the
6 maximum credit per site authorized under paragraph (i).
7 This credit shall be applied first to the earliest year for
8 which there is a liability. If there is a credit under this
9 subsection from more than one tax year that is available to
10 offset a liability, the earliest credit arising under this
11 subsection shall be applied first. A credit allowed under
12 this subsection may be sold to a buyer as part of a sale of
13 all or part of the remediation site for which the credit
14 was granted. The purchaser of a remediation site and the
15 tax credit shall succeed to the unused credit and remaining
16 carry-forward period of the seller. To perfect the
17 transfer, the assignor shall record the transfer in the
18 chain of title for the site and provide written notice to
19 the Director of the Illinois Department of Revenue of the
20 assignor's intent to sell the remediation site and the
21 amount of the tax credit to be transferred as a portion of
22 the sale. In no event may a credit be transferred to any
23 taxpayer if the taxpayer or a related party would not be
24 eligible under the provisions of subsection (i).

25 (iii) For purposes of this Section, the term "site"
26 shall have the same meaning as under Section 58.2 of the

1 Environmental Protection Act.

2 (m) Education expense credit. Beginning with tax years
3 ending after December 31, 1999, a taxpayer who is the custodian
4 of one or more qualifying pupils shall be allowed a credit
5 against the tax imposed by subsections (a) and (b) of this
6 Section for qualified education expenses incurred on behalf of
7 the qualifying pupils. The credit shall be equal to 25% of
8 qualified education expenses, but in no event may the total
9 credit under this subsection claimed by a family that is the
10 custodian of qualifying pupils exceed \$500. In no event shall a
11 credit under this subsection reduce the taxpayer's liability
12 under this Act to less than zero. This subsection is exempt
13 from the provisions of Section 250 of this Act.

14 For purposes of this subsection:

15 "Qualifying pupils" means individuals who (i) are
16 residents of the State of Illinois, (ii) are under the age of
17 21 at the close of the school year for which a credit is
18 sought, and (iii) during the school year for which a credit is
19 sought were full-time pupils enrolled in a kindergarten through
20 twelfth grade education program at any school, as defined in
21 this subsection.

22 "Qualified education expense" means the amount incurred on
23 behalf of a qualifying pupil in excess of \$250 for tuition,
24 book fees, and lab fees at the school in which the pupil is
25 enrolled during the regular school year.

26 "School" means any public or nonpublic elementary or

1 secondary school in Illinois that is in compliance with Title
2 VI of the Civil Rights Act of 1964 and attendance at which
3 satisfies the requirements of Section 26-1 of the School Code,
4 except that nothing shall be construed to require a child to
5 attend any particular public or nonpublic school to qualify for
6 the credit under this Section.

7 "Custodian" means, with respect to qualifying pupils, an
8 Illinois resident who is a parent, the parents, a legal
9 guardian, or the legal guardians of the qualifying pupils.

10 (n) River Edge Redevelopment Zone site remediation tax
11 credit.

12 (i) For tax years ending on or after December 31, 2006,
13 a taxpayer shall be allowed a credit against the tax
14 imposed by subsections (a) and (b) of this Section for
15 certain amounts paid for unreimbursed eligible remediation
16 costs, as specified in this subsection. For purposes of
17 this Section, "unreimbursed eligible remediation costs"
18 means costs approved by the Illinois Environmental
19 Protection Agency ("Agency") under Section 58.14a of the
20 Environmental Protection Act that were paid in performing
21 environmental remediation at a site within a River Edge
22 Redevelopment Zone for which a No Further Remediation
23 Letter was issued by the Agency and recorded under Section
24 58.10 of the Environmental Protection Act. The credit must
25 be claimed for the taxable year in which Agency approval of
26 the eligible remediation costs is granted. The credit is

1 not available to any taxpayer if the taxpayer or any
2 related party caused or contributed to, in any material
3 respect, a release of regulated substances on, in, or under
4 the site that was identified and addressed by the remedial
5 action pursuant to the Site Remediation Program of the
6 Environmental Protection Act. Determinations as to credit
7 availability for purposes of this Section shall be made
8 consistent with rules adopted by the Pollution Control
9 Board pursuant to the Illinois Administrative Procedure
10 Act for the administration and enforcement of Section 58.9
11 of the Environmental Protection Act. For purposes of this
12 Section, "taxpayer" includes a person whose tax attributes
13 the taxpayer has succeeded to under Section 381 of the
14 Internal Revenue Code and "related party" includes the
15 persons disallowed a deduction for losses by paragraphs
16 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
17 Code by virtue of being a related taxpayer, as well as any
18 of its partners. The credit allowed against the tax imposed
19 by subsections (a) and (b) shall be equal to 25% of the
20 unreimbursed eligible remediation costs in excess of
21 \$100,000 per site.

22 (ii) A credit allowed under this subsection that is
23 unused in the year the credit is earned may be carried
24 forward to each of the 5 taxable years following the year
25 for which the credit is first earned until it is used. This
26 credit shall be applied first to the earliest year for

1 which there is a liability. If there is a credit under this
2 subsection from more than one tax year that is available to
3 offset a liability, the earliest credit arising under this
4 subsection shall be applied first. A credit allowed under
5 this subsection may be sold to a buyer as part of a sale of
6 all or part of the remediation site for which the credit
7 was granted. The purchaser of a remediation site and the
8 tax credit shall succeed to the unused credit and remaining
9 carry-forward period of the seller. To perfect the
10 transfer, the assignor shall record the transfer in the
11 chain of title for the site and provide written notice to
12 the Director of the Illinois Department of Revenue of the
13 assignor's intent to sell the remediation site and the
14 amount of the tax credit to be transferred as a portion of
15 the sale. In no event may a credit be transferred to any
16 taxpayer if the taxpayer or a related party would not be
17 eligible under the provisions of subsection (i).

18 (iii) For purposes of this Section, the term "site"
19 shall have the same meaning as under Section 58.2 of the
20 Environmental Protection Act.

21 (iv) This subsection is exempt from the provisions of
22 Section 250.

23 (Source: P.A. 94-1021, eff. 7-12-06; 95-454, eff. 8-27-07.)

24 (35 ILCS 5/202.5 new)

25 Sec. 202.5. Net income attributable to the period prior to

1 January 1, 2009 and net income attributable to the period after
2 December 31, 2008.

3 (a) In general. With respect to the taxable year of a
4 taxpayer beginning prior to January 1, 2009 and ending after
5 December 31, 2008, net income for the period after December 31,
6 2008 is that amount that bears the same ratio to the taxpayer's
7 net income for the entire taxable year as the number of days in
8 that year after December 31, 2008 bears to the total number of
9 days in that year, and the net income for the period prior to
10 January 1, 2009 is that amount that bears the same ratio to the
11 taxpayer's net income for the entire taxable year as the number
12 of days in that year prior to January 1, 2009 bears to the
13 total number of days in that year.

14 (b) Election to attribute income and deduction items
15 specifically to the respective portions of a taxable year prior
16 to January 1, 2009 and after December 31, 2008. In the case of
17 a taxpayer with a taxable year beginning prior to January 1,
18 2009 and ending after December 31, 2008, the taxpayer may
19 elect, instead of the procedure established in subsection (a)
20 of this Section, to determine net income on a specific
21 accounting basis for the 2 portions of his or her taxable year:

22 (i) from the beginning of the taxable year through
23 December 31, 2008; and

24 (ii) from January 1, 2009 through the end of the
25 taxable year.

26 If the taxpayer elects specific accounting under this

1 subsection, there shall be taken into account in computing base
2 income for each of the 2 portions of the taxable year only
3 those items earned, received, paid, incurred or accrued in each
4 such period. The standard exemption provided by Section 204
5 must be divided between the respective periods in amounts that
6 bear the same ratio to the total exemption allowable under
7 Section 204 (determined without regard to this Section) as the
8 total number of days in each such period bears to the total
9 number of days in the taxable year. The election provided by
10 this subsection must be made in form and manner that the
11 Department requires by rule, but must be made no later than the
12 due date (including any extensions thereof) for the filing of
13 the return for the taxable year, and is irrevocable.

14 (35 ILCS 5/202.5a new)

15 Sec. 202.5a. Net income attributable to the period prior to
16 January 1, 2010 and net income attributable to the period after
17 December 31, 2009.

18 (a) In general. With respect to the taxable year of a
19 taxpayer beginning prior to January 1, 2010 and ending after
20 December 31, 2009, net income for the period after December 31,
21 2009 is that amount that bears the same ratio to the taxpayer's
22 net income for the entire taxable year as the number of days in
23 that year after December 31, 2009 bears to the total number of
24 days in that year, and the net income for the period prior to
25 January 1, 2010 is that amount that bears the same ratio to the

1 taxpayer's net income for the entire taxable year as the number
2 of days in that year prior to January 1, 2010 bears to the
3 total number of days in that year.

4 (b) Election to attribute income and deduction items
5 specifically to the respective portions of a taxable year prior
6 to January 1, 2010 and after December 31, 2009. In the case of
7 a taxpayer with a taxable year beginning prior to January 1,
8 2010 and ending after December 31, 2009, the taxpayer may
9 elect, instead of the procedure established in subsection (a)
10 of this Section, to determine net income on a specific
11 accounting basis for the 2 portions of his or her taxable year:

12 (i) from the beginning of the taxable year through
13 December 31, 2009; and

14 (ii) from January 1, 2010 through the end of the
15 taxable year.

16 If the taxpayer elects specific accounting under this
17 subsection, there shall be taken into account in computing base
18 income for each of the 2 portions of the taxable year only
19 those items earned, received, paid, incurred or accrued in each
20 such period. The standard exemption provided by Section 204
21 must be divided between the respective periods in amounts that
22 bear the same ratio to the total exemption allowable under
23 Section 204 (determined without regard to this Section) as the
24 total number of days in each such period bears to the total
25 number of days in the taxable year. The election provided by
26 this subsection must be made in form and manner that the

1 Department requires by rule, but must be made no later than the
2 due date (including any extensions thereof) for the filing of
3 the return for the taxable year, and is irrevocable.

4 (35 ILCS 5/202.5b new)

5 Sec. 202.5b. Net income attributable to the period prior to
6 January 1, 2011 and net income attributable to the period after
7 December 31, 2010.

8 (a) In general. With respect to the taxable year of a
9 taxpayer beginning prior to January 1, 2011 and ending after
10 December 31, 2010, net income for the period after December 31,
11 2010 is that amount that bears the same ratio to the taxpayer's
12 net income for the entire taxable year as the number of days in
13 that year after December 31, 2010 bears to the total number of
14 days in that year, and the net income for the period prior to
15 January 1, 2011 is that amount that bears the same ratio to the
16 taxpayer's net income for the entire taxable year as the number
17 of days in that year prior to January 1, 2011 bears to the
18 total number of days in that year.

19 (b) Election to attribute income and deduction items
20 specifically to the respective portions of a taxable year prior
21 to January 1, 2011 and after December 31, 2010. In the case of
22 a taxpayer with a taxable year beginning prior to January 1,
23 2011 and ending after December 31, 2010, the taxpayer may
24 elect, instead of the procedure established in subsection (a)
25 of this Section, to determine net income on a specific

1 accounting basis for the 2 portions of his or her taxable year:

2 (i) from the beginning of the taxable year through
3 December 31, 2010; and

4 (ii) from January 1, 2011 through the end of the
5 taxable year.

6 If the taxpayer elects specific accounting under this
7 subsection, there shall be taken into account in computing base
8 income for each of the 2 portions of the taxable year only
9 those items earned, received, paid, incurred or accrued in each
10 such period. The standard exemption provided by Section 204
11 must be divided between the respective periods in amounts that
12 bear the same ratio to the total exemption allowable under
13 Section 204 (determined without regard to this Section) as the
14 total number of days in each such period bears to the total
15 number of days in the taxable year. The election provided by
16 this subsection must be made in form and manner that the
17 Department requires by rule, but must be made no later than the
18 due date (including any extensions thereof) for the filing of
19 the return for the taxable year, and is irrevocable.

20 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

21 Sec. 901. Collection Authority.

22 (a) In general.

23 The Department shall collect the taxes imposed by this Act.
24 The Department shall collect certified past due child support
25 amounts under Section 2505-650 of the Department of Revenue Law

1 (20 ILCS 2505/2505-650). Except as provided in subsections (c)
2 and (e) of this Section, money collected pursuant to
3 subsections (a) and (b) of Section 201 of this Act shall be
4 paid into the General Revenue Fund in the State treasury; money
5 collected pursuant to subsections (c) and (d) of Section 201 of
6 this Act shall be paid into the Personal Property Tax
7 Replacement Fund, a special fund in the State Treasury; and
8 money collected under Section 2505-650 of the Department of
9 Revenue Law (20 ILCS 2505/2505-650) shall be paid into the
10 Child Support Enforcement Trust Fund, a special fund outside
11 the State Treasury, or to the State Disbursement Unit
12 established under Section 10-26 of the Illinois Public Aid
13 Code, as directed by the Department of Healthcare and Family
14 Services.

15 (b) Local Government ~~Governmental~~ Distributive Fund.

16 Beginning August 1, 1969, and continuing through June 30,
17 1994, the Treasurer shall transfer each month from the General
18 Revenue Fund to a special fund in the State treasury, to be
19 known as the "Local Government Distributive Fund", an amount
20 equal to 1/12 of the net revenue realized from the tax imposed
21 by subsections (a) and (b) of Section 201 of this Act during
22 the preceding month. Beginning July 1, 1994, and continuing
23 through June 30, 1995, the Treasurer shall transfer each month
24 from the General Revenue Fund to the Local Government
25 Distributive Fund an amount equal to 1/11 of the net revenue
26 realized from the tax imposed by subsections (a) and (b) of

1 Section 201 of this Act during the preceding month. Beginning
2 July 1, 1995, the Treasurer shall transfer each month from the
3 General Revenue Fund to the Local Government Distributive Fund
4 an amount equal to the net of (i) 1/10 of the net revenue
5 realized from the tax imposed by subsections (a) and (b) of
6 Section 201 of the Illinois Income Tax Act during the preceding
7 month (ii) minus, beginning July 1, 2003 and ending June 30,
8 2004, \$6,666,666, and beginning July 1, 2004, zero. Net revenue
9 realized for a month shall be defined as the revenue from the
10 tax imposed by subsections (a) and (b) of Section 201 of this
11 Act which is deposited in the General Revenue Fund, the
12 Educational Assistance Fund and the Income Tax Surcharge Local
13 Government Distributive Fund during the month minus the amount
14 paid out of the General Revenue Fund in State warrants during
15 that same month as refunds to taxpayers for overpayment of
16 liability under the tax imposed by subsections (a) and (b) of
17 Section 201 of this Act.

18 (c) Deposits Into Income Tax Refund Fund.

19 (1) Beginning on January 1, 1989 and thereafter, the
20 Department shall deposit a percentage of the amounts
21 collected pursuant to subsections (a) and (b) (1), (2), ~~and~~
22 (3), (4), (4.1), (4.2), (4.3), (4.4), and (5) of Section
23 201 of this Act into a fund in the State treasury known as
24 the Income Tax Refund Fund. The Department shall deposit 6%
25 of such amounts during the period beginning January 1, 1989
26 and ending on June 30, 1989. Beginning with State fiscal

1 year 1990 and for each fiscal year thereafter, the
2 percentage deposited into the Income Tax Refund Fund during
3 a fiscal year shall be the Annual Percentage. For fiscal
4 years 1999 through 2001, the Annual Percentage shall be
5 7.1%. For fiscal year 2003, the Annual Percentage shall be
6 8%. For fiscal year 2004, the Annual Percentage shall be
7 11.7%. Upon the effective date of this amendatory Act of
8 the 93rd General Assembly, the Annual Percentage shall be
9 10% for fiscal year 2005. For fiscal year 2006, the Annual
10 Percentage shall be 9.75%. For fiscal year 2007, the Annual
11 Percentage shall be 9.75%. For fiscal year 2008, the Annual
12 Percentage shall be 7.75%. For fiscal year 2009, the Annual
13 Percentage shall be 9.75%. For all other fiscal years, the
14 Annual Percentage shall be calculated as a fraction, the
15 numerator of which shall be the amount of refunds approved
16 for payment by the Department during the preceding fiscal
17 year as a result of overpayment of tax liability under
18 subsections (a) and (b) (1), (2), ~~and~~ (3), (4), (4.1),
19 (4.2), (4.3), (4.4), and (5) of Section 201 of this Act
20 plus the amount of such refunds remaining approved but
21 unpaid at the end of the preceding fiscal year, minus the
22 amounts transferred into the Income Tax Refund Fund from
23 the Tobacco Settlement Recovery Fund, and the denominator
24 of which shall be the amounts which will be collected
25 pursuant to subsections (a) and (b) (1), (2), ~~and~~ (3), (4),
26 (4.1), (4.2), (4.3), (4.4), and (5) of Section 201 of this

1 Act during the preceding fiscal year; except that in State
2 fiscal year 2002, the Annual Percentage shall in no event
3 exceed 7.6%. The Director of Revenue shall certify the
4 Annual Percentage to the Comptroller on the last business
5 day of the fiscal year immediately preceding the fiscal
6 year for which it is to be effective.

7 (2) Beginning on January 1, 1989 and thereafter, the
8 Department shall deposit a percentage of the amounts
9 collected pursuant to subsections (a) and (b) (6), (7), ~~and~~
10 (8), (9), (10), (11), (12), (13), and (14), (c) and (d) of
11 Section 201 of this Act into a fund in the State treasury
12 known as the Income Tax Refund Fund. The Department shall
13 deposit 18% of such amounts during the period beginning
14 January 1, 1989 and ending on June 30, 1989. Beginning with
15 State fiscal year 1990 and for each fiscal year thereafter,
16 the percentage deposited into the Income Tax Refund Fund
17 during a fiscal year shall be the Annual Percentage. For
18 fiscal years 1999, 2000, and 2001, the Annual Percentage
19 shall be 19%. For fiscal year 2003, the Annual Percentage
20 shall be 27%. For fiscal year 2004, the Annual Percentage
21 shall be 32%. Upon the effective date of this amendatory
22 Act of the 93rd General Assembly, the Annual Percentage
23 shall be 24% for fiscal year 2005. For fiscal year 2006,
24 the Annual Percentage shall be 20%. For fiscal year 2007,
25 the Annual Percentage shall be 17.5%. For fiscal year 2008,
26 the Annual Percentage shall be 15.5%. For fiscal year 2009,

1 the Annual Percentage shall be 17.5%. For all other fiscal
2 years, the Annual Percentage shall be calculated as a
3 fraction, the numerator of which shall be the amount of
4 refunds approved for payment by the Department during the
5 preceding fiscal year as a result of overpayment of tax
6 liability under subsections (a) and (b) (6), (7), ~~and~~ (8),
7 (9), (10), (11), (12), (13), and (14), (c) and (d) of
8 Section 201 of this Act plus the amount of such refunds
9 remaining approved but unpaid at the end of the preceding
10 fiscal year, and the denominator of which shall be the
11 amounts which will be collected pursuant to subsections (a)
12 and (b) (6), (7), ~~and~~ (8), (9), (10), (11), (12), (13), and
13 (14), (c) and (d) of Section 201 of this Act during the
14 preceding fiscal year; except that in State fiscal year
15 2002, the Annual Percentage shall in no event exceed 23%.
16 The Director of Revenue shall certify the Annual Percentage
17 to the Comptroller on the last business day of the fiscal
18 year immediately preceding the fiscal year for which it is
19 to be effective.

20 (3) The Comptroller shall order transferred and the
21 Treasurer shall transfer from the Tobacco Settlement
22 Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000
23 in January, 2001, (ii) \$35,000,000 in January, 2002, and
24 (iii) \$35,000,000 in January, 2003.

25 (d) Expenditures from Income Tax Refund Fund.

26 (1) Beginning January 1, 1989, money in the Income Tax

1 Refund Fund shall be expended exclusively for the purpose
2 of paying refunds resulting from overpayment of tax
3 liability under Section 201 of this Act, for paying rebates
4 under Section 208.1 in the event that the amounts in the
5 Homeowners' Tax Relief Fund are insufficient for that
6 purpose, and for making transfers pursuant to this
7 subsection (d).

8 (2) The Director shall order payment of refunds
9 resulting from overpayment of tax liability under Section
10 201 of this Act from the Income Tax Refund Fund only to the
11 extent that amounts collected pursuant to Section 201 of
12 this Act and transfers pursuant to this subsection (d) and
13 item (3) of subsection (c) have been deposited and retained
14 in the Fund.

15 (3) As soon as possible after the end of each fiscal
16 year, the Director shall order transferred and the State
17 Treasurer and State Comptroller shall transfer from the
18 Income Tax Refund Fund to the Personal Property Tax
19 Replacement Fund an amount, certified by the Director to
20 the Comptroller, equal to the excess of the amount
21 collected pursuant to subsections (c) and (d) of Section
22 201 of this Act deposited into the Income Tax Refund Fund
23 during the fiscal year over the amount of refunds resulting
24 from overpayment of tax liability under subsections (c) and
25 (d) of Section 201 of this Act paid from the Income Tax
26 Refund Fund during the fiscal year.

1 (4) As soon as possible after the end of each fiscal
2 year, the Director shall order transferred and the State
3 Treasurer and State Comptroller shall transfer from the
4 Personal Property Tax Replacement Fund to the Income Tax
5 Refund Fund an amount, certified by the Director to the
6 Comptroller, equal to the excess of the amount of refunds
7 resulting from overpayment of tax liability under
8 subsections (c) and (d) of Section 201 of this Act paid
9 from the Income Tax Refund Fund during the fiscal year over
10 the amount collected pursuant to subsections (c) and (d) of
11 Section 201 of this Act deposited into the Income Tax
12 Refund Fund during the fiscal year.

13 (4.5) As soon as possible after the end of fiscal year
14 1999 and of each fiscal year thereafter, the Director shall
15 order transferred and the State Treasurer and State
16 Comptroller shall transfer from the Income Tax Refund Fund
17 to the General Revenue Fund any surplus remaining in the
18 Income Tax Refund Fund as of the end of such fiscal year;
19 excluding for fiscal years 2000, 2001, and 2002 amounts
20 attributable to transfers under item (3) of subsection (c)
21 less refunds resulting from the earned income tax credit.

22 (5) This Act shall constitute an irrevocable and
23 continuing appropriation from the Income Tax Refund Fund
24 for the purpose of paying refunds upon the order of the
25 Director in accordance with the provisions of this Section.

26 (e) Deposits into the Education Assistance Fund and the

1 Income Tax Surcharge Local Government Distributive Fund.

2 On July 1, 1991, and thereafter, of the amounts collected
3 pursuant to subsections (a) and (b) of Section 201 of this Act,
4 minus deposits into the Income Tax Refund Fund, the Department
5 shall deposit 7.3% into the Education Assistance Fund in the
6 State Treasury. Beginning July 1, 1991, and continuing through
7 January 31, 1993, of the amounts collected pursuant to
8 subsections (a) and (b) of Section 201 of the Illinois Income
9 Tax Act, minus deposits into the Income Tax Refund Fund, the
10 Department shall deposit 3.0% into the Income Tax Surcharge
11 Local Government Distributive Fund in the State Treasury.
12 Beginning February 1, 1993 and continuing through June 30,
13 1993, of the amounts collected pursuant to subsections (a) and
14 (b) of Section 201 of the Illinois Income Tax Act, minus
15 deposits into the Income Tax Refund Fund, the Department shall
16 deposit 4.4% into the Income Tax Surcharge Local Government
17 Distributive Fund in the State Treasury. Beginning July 1,
18 1993, and continuing through June 30, 1994, of the amounts
19 collected under subsections (a) and (b) of Section 201 of this
20 Act, minus deposits into the Income Tax Refund Fund, the
21 Department shall deposit 1.475% into the Income Tax Surcharge
22 Local Government Distributive Fund in the State Treasury.

23 (Source: P.A. 94-91, eff. 7-1-05; 94-839, eff. 6-6-06; 95-707,
24 eff. 1-11-08; 95-744, eff. 7-18-08; revised 10-23-08.)

25 Section 99. Effective date. This Act takes effect upon
26 becoming law.